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HB960 - The Ratepayer Freedom Act - Del. Andre Johnson

Let's Protect Ratepayers from Utility Political Spending

Utilities should only charge customers for services that are necessary for the provision of safe, affordable, and reliable utility service. **The Ratepayer Freedom Act will clarify the law and codify consumer protections by prohibiting utilities from charging ratepayers for expenses that do not benefit ratepayers, including promotional and goodwill advertising and political advocacy. This could save ratepayers hundreds of thousands of dollars each year.**

What The HB960 Does – And Why You Should Support It

1. It prevents monopoly utilities from spending ratepayer money on lobbying, advocacy, political groups, and unnecessary advertisements:

Utilities belong to inherently political trade associations, like the American Gas Association (AGA) and the Edison Electric Institute (EEI). Utilities try to force their customers to pay for the majority of annual fees made to these trade associations. **Washington Gas**, **Pepco**, **BGE, Delmarva Power, and Potomac Edison** have requested hundreds of thousands of dollars for trade association dues to be paid for by customers. Ratepayers shouldn't subsidize groups that lobby for legislation, especially considering that legislation is often not in the best interest of ratepayers.

- Utilities have attempted to charge customers for promotional advertising. We need to clarify the law to make sure the PSC protects customers and prevent this unnecessary spending.
- Utilities regularly look to force their customers to pay for expenditures that do not benefit customers. PSC staff found that Chesapeake Utilities included almost $17,000 for investor relations - $10,320 of which was for a "retirement gift." These costs increase based on the size of the monopoly utility. Potomac Edison, for example, wanted $100,000 for investor relations expenses that, again the PSC staff argued were not beneficial for customers. Legislation is needed to support PSC staff and to protect customers from paying for these expenses.

Headlines like these demonstrate how EEI and AGA, funded by utility ratepayers, regularly get involved in politics and work to help their utility members' interests.

2. It requires monopoly utilities to file transparency reports to the PSC:

- Utilities remove some lobbying expenses from rates, but other political and advocacy activities are paid by customers. For example, BGE and Washington Gas **attempted to influence** a local electrification bill in Montgomery County in 2022. Representatives from BGE and Washington Gas sent talking points and advocacy materials to the county council, but neither were registered as lobbyists in Montgomery County, according to the **county database**. Legislation is needed to require utilities to disclose its employees who engage in advocacy and detail if their salaries are paid for by customers.

- While utilities are required to respond to data requests during a rate case, annual transparency filings with line item disclosures will ensure customers are protected. If the FirstEnergy scandal did not lead to various audits, Potomac Edison may likely still be charging its Maryland customers for "third party vendors" like Cleveland Browns ads and political entities.

FirstEnergy to pay $100M to settle SEC HB 6 bribery investigation

"We are pleased to have reached a resolution with the [Securities and Exchange Commission] as we continue to turn a new chapter," Brian Tierney, FirstEnergy president and CEO, said.

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3. It Could Save Ratepayers Hundreds of Thousands of Dollars Each Year

It's no secret that energy rates are at an all-time high and are scheduled to increase in the coming months. Alongside increases in other necessary costs, Marylanders are struggling to get by. For many Marylanders, every dollar saved on gas and electric counts. In other states that have passed this legislation, **this bill has saved ratepayers hundreds of thousands of dollars each year.** As the costs of energy rise, and climate change is contributing to record cold and record heat, it is imperative that lawmakers take action to protect the health and safety of Marylanders and ensure rates are affordable. Due to their monopolistic nature, utility providers hold disproportionate control and power over its customers. Because few alternatives exist, it is critical that any rate-making proposals are free of unnecessary costs and subjected to rigorous scrutiny and due diligence.

Frequently Asked Questions

What companies are subject to this bill?

The investor-owned monopoly gas and electric utilities regulated by the Public Service Commission (PSC). Electric cooperatives and municipal utilities are not subject to this legislation.

Is there bipartisan support for this issue?

Yes. The Trump appointed Federal Energy Regulatory Commissioner, Mark Christie, said on the issue: "Nothing keeps the monopoly from spending money on First Amendment protected speech, including lobbying legislators and related public-relations activities, but its investors should pay those costs, not captive customers."

Has this been done anywhere else?

Yes. In 2023, **Colorado**, **Connecticut**, and **Maine** passed similar legislation to prevent utility companies in those states from using ratepayer money for political activities. In 2021, **New York** passed legislation to specifically prevent customers from paying the utility's membership fees for any organization, association, or institution that engages in legislative lobbying. As mentioned, these legislative efforts in other states have saved millions of ratepayer dollars:

➢ In Colorado, Xcel Energy gas customers will save **$775,000** annually. More refunds may be in the works, after state utility regulators said Xcel's lobbying disclosures were inadequate, and asked that they be refiled. The Colorado Office of the Utility Consumer Advocate said their law "has to be the most influential customer-focused bill we've seen in a decade or more."

➢ In Connecticut, Avangrid gas customers will save over **$555,000** annually under that state's new utility accountability law.

➢ Following New York's prohibition of recovery of trade association dues, the customers of Consolidated Edison of New York and Orange & Rockland have saved **$2 million**

Why is this bill necessary?

Currently, investor-owned monopoly electric and gas utilities are allowed to (and do) include inappropriate and unnecessary expenses in their rate hikes. The Public Utilities Article, Annotated Code of Maryland needs to be updated to explicitly instruct utilities that they can't charge customers for expenses that are not related to the provision of service. This is a monopolistic industry with incredibly limited room for shopping around. Consumers should not be on the line to pay for lobbying expenses, entertainment and gifts for shareholders, chartered aircraft, or board of director expenses, *especially* when many Marylanders are already struggling to pay their utility bills. For most ratepayers, every dollar counts. Utilities are already required to file an Annual Report that utilizes the required Federal Energy Regulatory Commission (FERC) form. But the FERC forms do not provide adequate and itemized information necessary for intervenors in rate cases to protect customers from paying unnecessary and inappropriate costs.

Will utility companies still be allowed to make political contributions, lobby, belong to trade associations, and spend on image-enhancing advertisements?

Yes, it is their First Amendment Right. This bill simply ensures that investor-owned monopoly utilities use their profits to cover these costs, not ratepayer dollars.

More Questions?

Contact Taylor Smith-Hams, US Senior Organizer, 350.org at taylor.smith-hams@350.org or
Matt Kasper, Deputy Director, Energy and Policy Institute at matt@energyandpolicy.org.
Zoe Gallagher, Policy Associate. Economic Action Maryland Fund at zoe@econaction.org